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BANKER TO THE POOR

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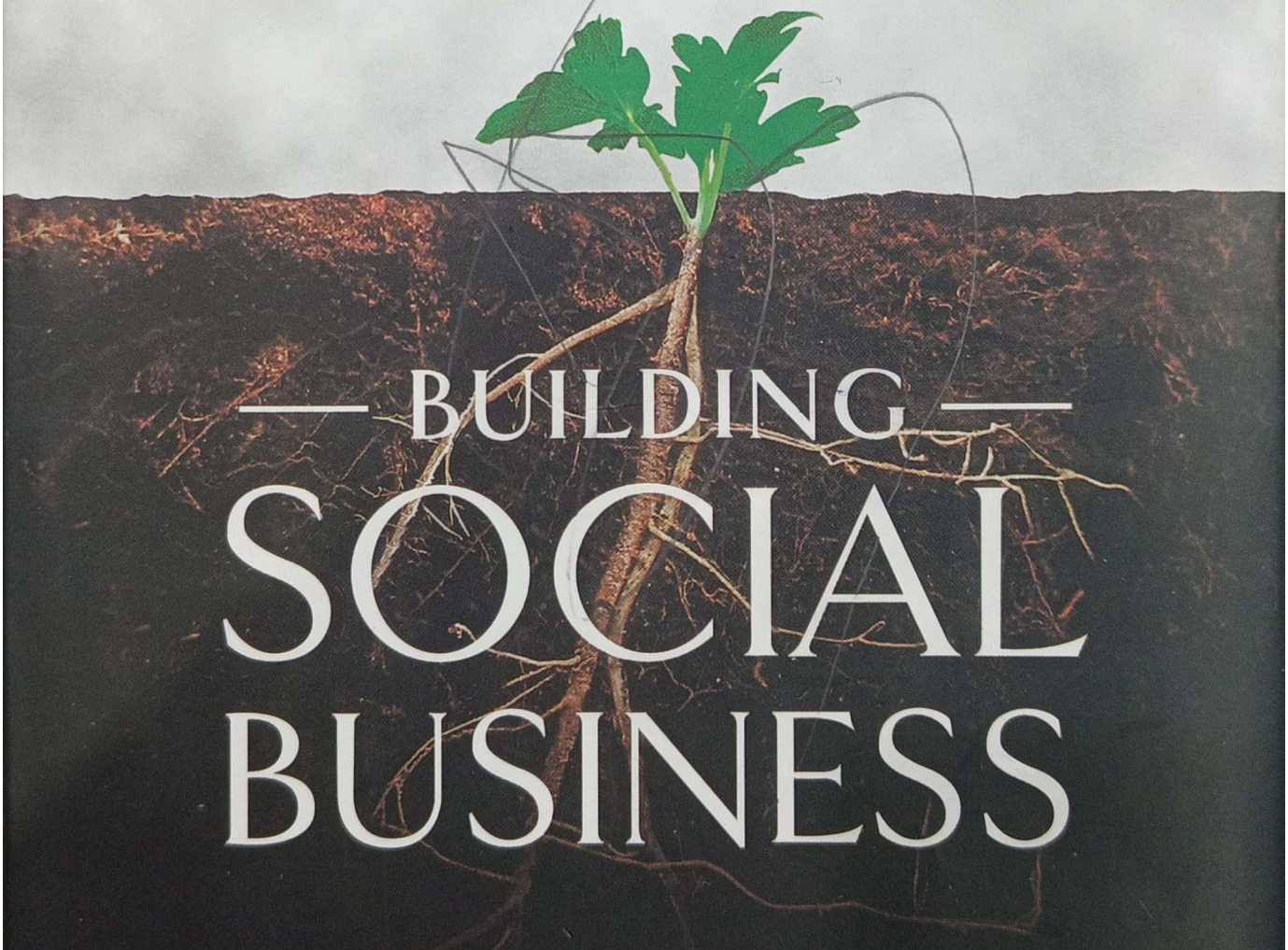

BUILDING SOCIAL BUSINESS

The New Kind of Capitalism that Serves Humanity's Most Pressing Needs

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INTRODUCTION

Social Business—From Dream to Reality

Beginning with a Tiny Step

I first got involved in the poverty problem as an academician, and then personally, almost by accident. I got involved because poverty was all around me in Bangladesh. In particular, the famine of 1974 pushed me out of the university campus and forced me to become a social activist in addition to being a teacher.

This is a common experience, of course. In disaster situations, most of us without hesitation take up the social roles demanded by human compassion. But in my case what began in a time of crisis became a lifelong calling. I gave up my academic position and founded a bank—a bank for the poor.

It was the first step in a journey that continues to this day. The latest stage in that journey, as I'll explain in this book, is creating and realizing an idea for a new form of capitalism and a new kind of enterprise based on the selflessness of people, which I call social business. It's a kind of business dedicated to solving social, economic, and environmental problems that have long plagued humankind—hunger, homelessness, disease, pollution, ignorance.

Back in the early seventies, the newly independent country of Bangladesh was in a terrible state. The aftermath of our War of Liberation—

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with the destruction caused by the Pakistani army—combined with floods, droughts, and monsoons to create a desperate situation for millions of people. Then came the famine. I found it increasingly difficult to teach elegant theories of economics in the classroom while a terrible famine was raging outside. Suddenly I felt the emptiness of traditional economic concepts in the face of crushing hunger and poverty. I realized that I had to be with the distressed people of Jobra, the neighboring village just outside of Chittagong University, and somehow find something to do for them. All that I hoped to do was make myself useful to at least one person per day.

In trying to discover what I could do to help, I learned many things about Jobra, about the poor people who lived there, and about their helplessness. I came face to face with the struggle of the poor to find the tiniest amounts of money needed to support their efforts to eke out a living.

In particular, I was shocked to meet a woman who had borrowed just 5 taka (the equivalent of around 7 cents in U.S. currency) from a moneylender and trader. She needed this small amount of money to buy bamboo, from which she crafted stools to sell. The interest rate on such loans was very high—as much as 10 percent per week. But still worse was the special condition imposed on the loan: She would have to sell all her products to the moneylender at a price he would determine.

That 5-taka loan transformed her into a virtual slave. No matter how hard she might work, she and her family could never escape from poverty.

To understand the scope of this moneylending practice in the village, I made a list of the people who had borrowed from the moneylenders. When my list was complete, it had forty-two names. These people had borrowed a total of 856 taka from the moneylenders—roughly U.S. $27 at then-current exchange rates. It seemed absurd that such a small amount of money should have created so much misery!

To free these forty-two people from the clutches of the moneylenders, I reached into my own pocket and gave them the money to

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repay the loans. The excitement that was created in the village by this small action touched me deeply. I thought, "If this little action makes so many people so happy, why shouldn't I do more of this?"

That's what I have been trying to do ever since.

The first thing I did was to try to persuade the bank located in the university campus to lend money to the poor. But the bank manager refused. He said, "The poor do not qualify to receive loans from the bank—they are not creditworthy." I argued with him with no result. I met with senior banking officials at various levels to see if I could find someone who would be willing to open the doors of the bank to the poor. This went on for several months, but I couldn't change their minds.

Finally, I came up with an idea. I offered to become a guarantor for loans to the poor. After much hesitation, the bank agreed to accept this proposal. By the middle of 1976, I started giving out loans to the village poor, signing all the papers the bank gave me to guarantee the loans personally and acting as a kind of informal banker on my own. I wanted to make sure that the poor borrowers would find it easy to pay back the loans, so I came up with simple rules, such as having people repay their loans in small weekly amounts, and having the bank officer visit the villagers rather than making the villagers visit the bank. These ideas worked. People paid back the loans on time, every time.

It seemed to me that lending money to the poor was not as difficult as was generally imagined. It even appeared to me that serving their financial needs might be a viable business. You'd think a smart banker would be able to recognize this opportunity quicker than a mere economics professor with no banking experience. But no. I kept confronting difficulties in trying to expand the program through existing banks.

Finally, with no other option, I decided to create a separate bank for the poor. It was a long, arduous process. But with the support of the then-finance minister of Bangladesh, I succeeded in creating a new

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bank, a bank dedicated to serve the poor. We called it Grameen Bank—or "village bank," in the Bengali language.

Today, Grameen Bank is a nationwide bank serving the poor in every single village of Bangladesh. Of its 8 million borrowers, 97 percent are women. Early in the history of the bank, we deliberately decided to focus on lending to women—initially as a protest against the practice of conventional banks, which refused to lend money to women even if they belonged to a high income bracket. We also saw that women in Bangladesh had the talent and skill to become income-earners. Our initial goal was to make sure we had both men and women borrowers in even numbers. But soon we discovered, through experience, that female borrowers brought much more benefit to their families than male borrowers. Children immediately benefited from the income of their mothers. Women had more drive to overcome poverty. Lending to women in the poor villages of Bangladesh, we realized, was a powerful way to combat poverty for the entire society.

Grameen Bank is unusual in other ways. It is actually owned by the borrowers, who in their capacity as shareholders elect nine of the thirteen members of the board of directors. Grameen Bank lends out over $100 million a month in collateral-free loans averaging about $200. The repayment rate on loans remains very high, about 98 percent, despite the fact that Grameen Bank focuses on the poorest people—those whom conventional banks still consider non-creditworthy.

Grameen Bank even lends money to beggars. They use the loans to enter the business of selling goods—toys, household items, foodstuffs—from door to door, along with begging door to door. Contrary to some people's expectation, beggars like the idea of supporting themselves through sales rather than relying on charity. We now have over 100,000 beggars in this program. During the four years since this program was launched, over 18,000 have quit begging. Most of the beggars are now on their second and third loans.

Grameen Bank also encourages children of its borrowers to go to school, offering affordable loans for them to pursue higher education.

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More than 50,000 students are currently pursuing their education in medical schools, engineering schools, and universities with financing from Grameen Bank.

We encourage these young people to pledge that they will never enter the job market to seek jobs from anybody. They'll be job givers, not job seekers. We explain to them, "Your mothers own a big bank, Grameen Bank. It has plenty of money to finance any enterprise you may wish to float, so why waste time looking for a job working for someone else? Instead, be an employer rather than an employee." Grameen Bank is in the business of encouraging entrepreneurship and self-reliance among the people of Bangladesh—not dependence.

Grameen Bank is financially self-reliant. All of its funds come from deposits. More than half of the deposits come from the borrowers themselves, who are required to save a little bit every week. They have a collective savings balance of over half a billion U.S. dollars.

All of this would be an impressive enough achievement based on the tiny spark that started it all—that $27 worth of loans that I repaid for the poor people of Jobra. But the work of Grameen Bank in Bangladesh has turned out to be just the beginning.

Today the idea of small, collateral-free loans for poor women, known as "microcredit" or "microfinance," has spread around the world. There are now Grameen-type programs in almost every country in the world. We even run a program named Grameen America in New York City. Its first branch was opened in Queens, New York, in 2008 to provide small collateral-free loans (averaging $1500) to local women to start modest businesses or expand their existing businesses. Most of them are single mothers struggling to make a living with dignity.

Grameen America is now branching out to new locations in Brooklyn, New York, Omaha, Nebraska, and San Francisco, California. Its success demonstrates that even in the richest country in the world with the most sophisticated banking system, there is a huge need for banks dedicated to serving the unserved and underserved millions.

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Why do I attach such importance to the idea of providing banking services to the poor? Partly, of course, because of the way I stumbled upon the role of the exploitative moneylenders in trapping people in poverty. But it's also because I have become increasingly convinced that poverty is *not* created by poor people themselves.

When I meet Grameen Bank borrowers, I often meet mother-daughter and mother-son pairs in which the mother is totally illiterate, while the daughter or son is a medical doctor or an engineer. A thought always flashes through my mind: This mother could have been a doctor or an engineer, too. She has the same capability as her daughter or son. The only reason she could not unleash her potential is that the society never gave her the chance. She could not even go to school to learn the alphabet.

The more time you spend among poor people, the more you become convinced that poverty is not the result of any incapacity on the part of the poor. Poverty is not created by poor people. It is created by the system we have built, the institutions we have designed, and the concepts we have formulated.

Poverty is created by deficiencies in the institutions we have built—for example, financial institutions. These banks refuse to provide financial services to nearly two-thirds of the world's population. For generations they claimed it could not be done, and everybody accepted that explanation. This allowed loan sharks to thrive all over the world. Grameen Bank questioned this assumption and demonstrated that lending money to the poorest is not only possible but profitable.

During the global financial crisis that began in 2008, the falsity of the old assumptions became even more visible. While big conventional banks with all their collateral were collapsing, around the world microcredit programs, which do not depend on collateral, continued to be as strong as ever. Will this demonstration make the mainstream financial institutions change their minds about their traditional definition of creditworthiness? Will they finally open their doors to the poor?

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I am quite serious about this question (although I know all too well what the likely answer is). When a crisis is at its deepest, it can offer a huge opportunity. When things fall apart, we can redesign, recast, and rebuild. We should not miss this opportunity to convert our financial institutions into inclusive institutions. Nobody should be refused access to financial services. Because these services are so vital for people's self-realization, I strongly feel that credit should be given the status of a human right.

That poverty is created not by poor people but by their circumstances tells us something else important—something about the potential of human beings themselves.

Every human being is born into this world fully equipped not only to take care of himself or herself, but also to contribute to the well-being of the world as a whole. Some get the chance to explore their potential, but many others never get the chance to unwrap the wonderful gifts they were born with. They die with those gifts unexplored, and the world remains deprived of their contribution.

Grameen has given me an unshakeable faith in human creativity and the firm belief that human beings are not born to suffer the misery of hunger and poverty. Poverty is an artificial, external imposition on a person. And since it is external, it can be removed.

We can create a poverty-free world if we redesign our system to take out its gross flaws which create poverty. We can create a world in which the only place you would be able to see poverty is in poverty museums. Someday, schoolchildren will be taken to visit these poverty museums. They will be horrified to see the misery and indignity that innumerable people had to go through for no fault of their own. They will blame their ancestors for tolerating this inhuman condition for so long—and rightly so.

To me, poor people are like bonsai trees. When you plant the best seed from the tallest tree in a tiny flowerpot, you get a replica of the tallest tree, only inches tall. There is nothing wrong with the seed you planted; only the soil base that you gave it is inadequate. Poor people

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are bonsai people. There is nothing wrong with their seeds, but society never gave them the proper base to grow in. All it takes to get poor people out of poverty is for us to create an enabling environment for them. Once the poor can unleash their energy and creativity, poverty will disappear very quickly.

The Concept of Social Business

I took my first step in the direction of helping poor people in the mid-seventies. While poverty has remained my main concern since then, I have moved on to other issues because I've found them very relevant to my main concern. Over time I've become involved in agriculture, livestock, fisheries, renewable energy, information technology, education, health, hand-loom textiles, employment services, and many similar areas and sub-areas under them. Each one, I thought, could help overcome poverty if designed in the right way. For each sector or subsector I created a company to see whether I could address the problem of poverty in a sustainable way. Poverty is a state of living. It has many facets. It has to be approached from many directions, and no approach is insignificant.

While trying out all these approaches, I saw myself moving from one level to another level of my conceptual framework. I moved from microcredit to a much broader concept, which neatly includes microcredit itself. This new concept will bring a fundamental change in the architecture of our capitalist economy by bringing it closer to a complete and satisfactory framework, freeing it from the basic flaws which lead to poverty and other social and environmental ills. This is the concept of *social business*, which is the subject of this book.

Let me return for a moment to the financial crisis of 2008–2009. Unfortunately, media coverage gives the impression that once we fix this crisis, all our troubles will be over: The economy will start to grow again, and we can quickly and comfortably return to "business as usual."

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But even if it were desirable, business as usual is not really a viable option. We forget that the financial crisis is only one of several crises threatening humankind. We are also suffering a global food crisis, an energy crisis, an environmental crisis, a healthcare crisis, and the continuing social and economic crisis of massive worldwide poverty. These crises are as important as the financial one, although they have not received as much attention.

Furthermore, the media coverage may give the impression that these are disconnected crises that are taking place simultaneously, just by accident. That's not true at all. In fact, these crises grow from the same root—a fundamental flaw in our theoretical construct of capitalism.

The biggest flaw in our existing theory of capitalism lies in its misrepresentation of human nature. In the present interpretation of capitalism, human beings engaged in business are portrayed as one-dimensional beings whose only mission is to maximize profit. Humans supposedly pursue this economic goal in a single-minded fashion.

This is a badly distorted picture of a human being. As even a moment's reflection suggests, human beings are not money-making robots. The essential fact about humans is that they are multidimensional beings. Their happiness comes from many sources, not just from making money.

And yet economists have built their whole theory of business on the assumption that human beings do nothing in their economic lives besides pursue selfish interests. The theory concludes that the optimal result for society will occur when each individual's search for selfish benefit is given free rein. This interpretation of human beings denies any role to other aspects of life—political, social, emotional, spiritual, environmental, and so on.

No doubt humans are selfish beings, but they are selfless beings, too. Both these qualities coexist in all human beings. Self-interest and the pursuit of profit explain many of our actions, but many others make no sense when viewed through this distorting lens. If the profit

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motive alone controlled all of human behavior, the only existing institutions would be ones designed to generate maximum individual wealth. There would be no churches or mosques or synagogues, no schools, no art museums, no public parks or health clinics or community centers. (After all, institutions like these don't make anyone into a tycoon!) There would be no charities, foundations, or nonprofit organizations.

Obviously human beings are driven by selfless motivations as well. The existence of countless charitable institutions supported by personal generosity demonstrates this. (It is true that in many countries donors to charity receive tax benefits for their gifts. But these tax breaks only repay a portion of the money donated. An altruistic motivation is still required to make charity possible.) And yet this selfless dimension has no role in economics.

This distorted view of human nature is the fatal flaw that makes our economic thinking incomplete and inaccurate. Over time, it has helped to create the multiple crises we face today. Our government regulations, our educational systems, our social structures are all based on the assumption that only selfish motivations are "real" and deserve attention. As a result, we invest vast amounts of time, energy, money, and other resources in developing and supporting for-profit businesses. We assume that for-profit businesses are the chief source of human creativity and the only way to address society's problems. And even as our problems get worse, we fail to question the underlying assumptions that helped create those problems in the first place.

Once we recognize this flaw in our theoretical structure, the solution is obvious. We must replace the one-dimensional person in economic theory with a multidimensional person—a person who has both selfish and selfless interests at the same time.

When we do this, our picture of the business world immediately changes. We see the need for *two* kinds of businesses: one for personal gain, another dedicated to helping others. In one kind of business, the objective is to maximize profits for the owners with little or no con-

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sideration for others. (In fact, in the pursuit of maximum profit, many people do not mind even harming people's lives knowingly.) In the other kind of business, everything is for the benefit of others and nothing is for the owners—except the pleasure of serving humanity. The second kind of business, built on the selfless part of human nature, I have named *social business*. This is what our economic theory has been lacking.

In a social business an investor aims to help others without making any financial gain himself. The social business is a business because it must be self-sustaining—that is, it generates enough income to cover its own costs. Part of the economic surplus the social business creates is invested in expanding the business, and a part is kept in reserve to cover uncertainties. Thus, the social business might be described as a "non-loss, non-dividend company," dedicated entirely to achieving a social goal.

We can think about a social business as a selfless business whose purpose is to bring an end to a social problem. In this kind of business, the company makes a profit—but no one takes the profit. Because the company is dedicated entirely to the social cause, the whole idea of making personal profit is removed from this business. The owner can take back over a period of time only the amount invested.

Will anybody in the real world be interested in creating businesses with selfless objectives? Where would the money for social business come from?

Real human beings that all of us know will be delighted to create businesses for selfless purposes. The only thing we'll have to do is to free them from the mindset that puts profit-making at the heart of every business, an idea that we imposed on them through our flawed economic theory.

You might wonder, where will the money come from to create a business that has no intention of generating a profit? The answer is not as mysterious as you might assume. One source is the money that currently goes to support philanthropy. Think of the great foundations

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as well as the non-profit organizations that flourish thanks to the generosity of millions of donors, large and small. In the United States alone, the annual revenues of non-profit organizations in one recent year amounted to over $1.1 trillion!

As this number shows, people are happy to give money from their pockets to support organizations that they believe are making the world a better place. If people can see that social business can do a better job of achieving the same goals, why wouldn't they gladly shift more and more of that charitable money into funding social businesses?

Besides wealthy philanthropists—the Bill Gateses and Warren Buffetts of the world—many other people will invest in social businesses just to share the joy of making a difference in other people's lives. People will give not only money but also their creativity, networking skills, technological prowess, life experience, and other resources to create social businesses that can change the world.

Once the idea of social business becomes known, many will divert some of their money from profit-making businesses to social businesses. That will be another source of funds for social business. Some of the government money that is traditionally spent on social programs will be used on social business. Social responsibility funds established by profit-making companies can also be available for social businesses.

Once our economic theory adjusts to the multidimensional reality of human nature, students will learn in their schools and colleges that there are two kinds of businesses: traditional money-making businesses and social businesses. As they grow up, they'll think about what kind of company they will invest in and what kind of company they will work for. And many young people who dream of a better world will think about what kind of social business they would like to create. When they are still in school, young people may start designing social businesses and even launch social businesses individually or collectively to express their creative talents in changing the world.

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Not a Dream, but a Reality

Like any new idea, the concept of social business needs practical demonstration. So I have started creating social businesses in Bangladesh.

Some of them became well-known because they were created as joint ventures between Grameen companies and world-renowned multinational companies. The first such joint venture was created in 2005 in partnership with the French dairy company Danone (best known in the United States for its Dannon yogurt) and is aimed at reducing malnutrition among the children of Bangladesh. Grameen Danone produces a delicious yogurt for children and sells it at a price the poor can afford. This yogurt is fortified with all the micronutrients that are missing in the children's ordinary diet: iron, zinc, iodine, and so on. If a child eats two cups of yogurt a week over eight to nine months, he or she gets all the needed micronutrients and becomes a healthy, playful child.

As a social business, Grameen Danone follows the basic principle that it must be self-sustaining, and the owners must remain committed to never take any dividend beyond the return of the original amount they invested. The company's success is judged each year not by the amount of profit generated, but by the number of children who escape malnutrition in that particular year.

I told the story of the founding of Grameen Danone in my last book, *Creating a World Without Poverty*, and later in these pages, I'll provide an update. As you'll see, it has been an interesting learning experience that offers many lessons about how to start and develop a successful social business.

More important, Grameen Danone has served as a role model, attracting attention around the world. Many other big companies are now approaching the Grameen organization to create joint social businesses. They want to join forces with Grameen to make sure it is done the right way, and they know we originated this new concept. Once they become experienced in social business, they will take the concept wherever the need exists.

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Our joint social business with Veolia, a large French water company, is called the Grameen Veolia Water Company, created to bring safe drinking water to the villages of Bangladesh where arsenic contamination is a huge problem. Villagers buy water from the company at an affordable price instead of drinking contaminated water. Over time, we'll measure the impact of the improved water supply on the health of the local people.

Another large corporation, BASF of Germany, has signed a joint venture agreement with Grameen to produce chemically treated mosquito nets in Bangladesh. When these nets are draped over beds, they provide sleepers with protection from mosquito-borne diseases such as malaria. The BASF Grameen joint venture will produce and sell these mosquito nets as cheaply as possible to make the benefits affordable to the poor.

Our joint venture with Intel Corporation, Grameen Intel, aims at using information and communication technology to help solve the problems of the rural poor—for example, by providing healthcare in villages of the developing world where doctors and nurses are scarce and medical clinics are few. As I'll explain later in this book, the goal is to create exciting new technologies that can bring the most advanced healthcare concepts within the reach of poor villagers—and then to create a cadre of small-scale entrepreneurs who will deliver these vital services in an economically sustainable fashion.

Our joint venture with Adidas aims at producing affordable shoes for the lowest income people. The goal of Grameen Adidas is to make sure that no one, child or adult, goes without shoes. Of course, it's more pleasant and comfortable to walk on dusty roads with shoes on your feet, but at bottom, this is a health intervention to make sure that people in rural areas, particularly children, do not have to suffer from parasitic diseases that can be transmitted through walking barefoot. Adidas is working with Grameen to bring these benefits to the poorest people of the developing world using an economically viable social business model.

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Another German company, Otto GmbH, a global leader in the mail-order business, is eager to start a social business that produces textiles and garments for export from South Asia into the developed world. Otto Grameen is planning to set up a garment factory in Bangladesh that will make a special effort to employ people who are often treated as economically marginal, including single parent women and the disabled. The profits will be used to improve the quality of life for the employees, their children, and the poor of the neighborhood.

As these examples show, social business is not just a pleasant idea. It is a reality, one that is already beginning to make positive changes in people's lives as well as attracting serious interest from some of the world's most advanced corporations.

Many more social businesses are on the way. One attractive area will be in creating jobs in special locations or for particularly disadvantaged people. Since a social business operates free from the pressure of earning profit for the owners, the scope of investment opportunities is much greater than with profit-maximizing companies. Before a profit-maximizing company decides to make an investment, it has to be assured of a predetermined minimum return on investment, say 25 percent. It will not proceed with the investment if this return is not available because it has other investment opportunities which will bring that kind of return. Since the investor is a profit-seeker, he will be driven to projects by the size of profit.

But the investment decision made by a social business is not based on the potential profit. It is based on the social cause. If that cause happens to be creating employment, it will go ahead if it is satisfied that the business can sustain itself. This gives social business enormous power in creating jobs. It can even invest in projects where the return on investment is near zero, and in the process open up job opportunities for many people. In a purely profit-making business world, these jobs would never be created. How unfortunate!

Healthcare is another high-potential area for social business. Public delivery of healthcare in many countries is inefficient and often fails

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to reach the people who need it most. Private healthcare caters mainly to the needs of high-income people. The big empty space between the two can be filled by social businesses.

In Bangladesh, the Grameen Healthcare company is developing a prototype of health management centers in the villages that will keep healthy people healthy by concentrating on prevention and offering diagnostic and health check-up services, health insurance, education in health practices and nutrition, and so on. Grameen Healthcare is trying to take advantage of the near-universal availability of mobile phones and is working with leading manufacturers to design diagnostic equipment that can transmit images and data in real time to city-based health experts. By using the amazing new efficiencies that technology makes possible, I believe Grameen Healthcare can drive the costs of healthcare down so low that even the poorest village can be served while achieving the goal of economic self-sufficiency that is at the heart of social business.

Social business can also play a major role in improving the healthcare infrastructure. Grameen Healthcare is already in the process of setting up nursing colleges to train girls from Grameen Bank families as nurses. There is a large demand for qualified nurses both in Bangladesh and the rich countries. There is no reason why vast numbers of young girls should be sitting around in villages while these attractive job opportunities go unfilled. Nursing colleges run as social businesses can bridge this void.

Grameen Healthcare is also planning to set up secondary and tertiary health facilities, also designed as social businesses. (Later in this book, I'll tell the story of one such facility that is already under development, a unit for performing some of the most advanced surgical procedures in the world to cure children suffering from thalassemia, an otherwise fatal genetic disorder.) To train a new generation of doctors to staff these facilities, Grameen Healthcare plans to establish a University of Health Sciences and Technology.

Many other segments of healthcare are appropriate for building successful social businesses: nutrition, water, health insurance, health

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education and training, eye care, mother and child care, diagnostic services, and so on. It will take time to develop the prototypes. But once creative minds come up with the design for a social business and a prototype is developed successfully, it can be replicated endlessly.

Designing each small social business is like developing a seed. Once the seed is developed, anybody can plant it where it is needed. Since each unit is self-sustaining, funding does not become a constraint.

Among other things, social business is a way of putting today's most powerful technologies to work.

The world today is in possession of amazingly powerful technologies. They are growing very fast, becoming more powerful every day. Almost all of this technology is owned and controlled by profit-making businesses. All they use this technology for is to make more money, because that is the mandate their shareholders have given them.

Yet viewed more broadly, technology is simply a kind of vehicle. One can drive it to any desired destination. Since the present owners of technology want to travel to the peaks of profit-making, technology takes them there. If somebody else decides to use the existing technology to end poverty, it will take the owner in that direction. If another owner wants to use it to end diseases, the technology will go there. The choice is ours. The only problem is that the present theoretical framework under which capitalism operates does not give this choice. The inclusion of social business creates this choice.

One more point to ponder: There's actually no need to choose. Using technology for one purpose doesn't make it less effective for serving a different purpose. Actually, it is the other way around. The more diverse uses we make of technology, the more powerful it gets. Using technology for solving social problems will not reduce its effectiveness for making money, but rather enhance it.

The owners of social businesses can direct the power of technology to solve the growing list of social and economic problems, and get quick results. And in the process, they will generate even more technological ideas for future generations of scientists and engineers to

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develop. The world of social business will benefit not only the poor, but all of humanity.

Once the concept of social business becomes widely known, creative people will come forward with attractive designs for social businesses. Young people will develop business plans to address the most difficult social problems through social businesses. The good ideas, of course, will need to be funded. I am happy to say there are already initiatives in Europe and Japan to create social business funds to provide equity and loan support to social businesses.

In time, more sources of funding will be needed. Each level of government—international, national, state, and city—can create social business funds. These can encourage citizens and companies to create social businesses designed to address specific problems (unemployment, health, sanitation, pollution, old age, drugs, crime, the needs of disadvantaged groups such as the disabled, and so on). Bilateral and multilateral donors can also create social business funds. Foundations can earmark a percentage of their funds to support social businesses, and businesses can use their social responsibility budgets to fund social businesses.

Eventually we'll need to create a separate stock market to make it easy to invest in social businesses. Only social businesses will be listed in this social stock market, and investors will know right from the beginning that they'll never receive any dividends from this market. Their motivation will be to enjoy the pride and pleasure of helping to solve difficult social problems.

Social business gives everybody the opportunity to participate in creating the kind of world we all want to see. Thanks to the concept of social business, citizens don't have to leave all problems in the hands of the government (and then spend their lives criticizing the government for failing to solve them). Now citizens can have a completely new space in which to mobilize their creativity and talent for solving the problems of our time. Seeing the effectiveness of social business, governments may decide to create their own social businesses, partner with

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citizen-run social businesses, and incorporate the lessons from the social businesses to improve the effectiveness of their own programs.

Governments will have an important role to play in promoting social businesses. They will need to pass legislation to give legal recognition to social business and create regulatory bodies to ensure transparency, integrity, and honesty in this sector. They can also provide tax incentives for investing in social businesses as well as for social businesses themselves.

The wonderful promise of social business makes it all the more important that we redefine and broaden our present economic framework. We need a new way of thinking about economics that is not prone to creating a series of crises; instead it should be capable of ending the crises once and for all. Now is the time for bold and creative thinking—and we need to move fast, because the world is changing fast. The first piece of this new framework must be to accommodate social business as an integral part of the economic structure.

In just a few short years, social business has developed from a mere idea into a living, rapidly growing, reality. It is already bringing improvements into the lives of many people and is now on the verge of exploding into one of the world's most important social and economic trends. In the rest of this book, I'll explain more about the theory of social business, tell the stories of several social businesses that are already in action, and offer practical suggestions about how you can get involved in supporting this new movement.

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